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Grain and Feed

Rice situation

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Report Highlights:

Ecuador stops rice exports to Colombia. Colombia's Ministry of Agriculture and Colombian rice producers assure the public that there is sufficient rice to meet all needs through the end of the year.

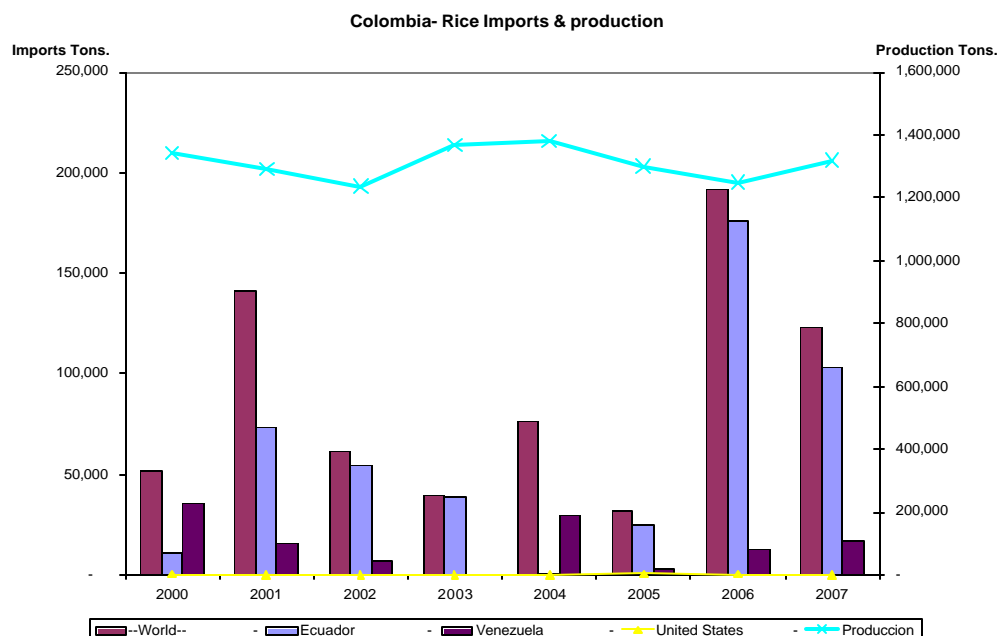
Includes PSD Changes: No
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Colombia's Rice Situation Said to Be Just Fine

Rising food prices continue to impact regional agricultural policy. Last week the government of Ecuador announced that it would not be able to export 160,000 tons of paddy rice to Colombia because of an expected short crop this year. However, Ecuador will export approximately 60,000 tons of milled rice to Venezuela. In April 2008, the Ministry of Agriculture announced approval of import licenses to import up to 160,000 tons of milled rice from Ecuador and Venezuela. Since Venezuela was not expected to have any exportable rice this year, Colombian importers quickly began to look at Ecuador for rice deliveries over the next few months before the larger of two harvest seasons begins in late June. Now that these imports will not materialize, the Ministry of Agriculture is working with both rice producers and rice millers to ensure there will be ample supplies of rice to meet consumers demand throughout the year.

Colombia considers itself self-sufficient in the production of rice, producing about 2.2 million tons of paddy rice per year, which is the equivalent of 1.3 million tons of milled rice. Yet over the past several years, Colombia has imported between 32,000 and 192,000 tons of milled rice (See Figure 1. below). The higher imports represented about 13 percent of Colombia's domestic demand. These imports were largely due to reduced harvests and increased demand over the past several years. Colombia has two rice harvests, the first harvest extends from January to May and is made up of primarily irrigated rice. The first harvest represents about 20 percent of total rice production. The second harvest begins in late June and carries on through October. This harvest is made up of dry-land rice and accounts for 80 percent of total production. In 2007, Colombia produced approximately 1.3 million tons of milled rice and imported approximately 103,000 tons of milled rice from Ecuador.

Figure 1: Rice Imports and Production



Since rice is a staple food product for Colombian consumers, especially the poor, it is important that the market has sufficient supplies. Colombia will normally hold about three-months worth of rice inventory to ensure no disruptions in consumer demand. The Ministry of Agriculture provides producers payments to supplement storage costs. The usual cycle

begins in January-February, when inventories are used and the first harvests of irrigated rice begin providing sufficient rice for the first half of the year. In June, the second harvest begins and runs through October. This harvest is used to fill consumer needs through July-December and to replenish inventories for the following year. Imports are made throughout the year to fill pockets of short supply between harvests and to help replenish inventories at the end of the year if needed. Ecuador over the past few years has been the major supplier of rice to Colombia as Venezuela's excess rice supplies have disappeared.

Rising Rice Prices: No End in Sight

Over the past two years, international rice prices have steadily risen due to rising fuel costs and increased demand. In early 2008, due largely to major rice producing countries limiting or even prohibiting exports, prices rose dramatically (See Figure 2. below). Limited world rice supplies will make it difficult for Colombia to import rice even if it can pay higher prices. Nevertheless, the Ministry of Agriculture, rice producers (FEDEARROZ) and the Colombian Association of Farmers (SAC) have publicly reported that there will be enough rice to meet Colombia's needs for the rest of the year. According to producers, there is enough first-harvest production and inventory to meet Colombia's needs through June when the second harvest begins. In addition, the Ministry of Agriculture is providing short-term incentives for producers to expand production in the second half of the year.

Colombia is gambling on the size of this year's second harvest to meet consumer demand for the rest of the year and to replenish inventories for the first months of next year. It will not be known if there will be enough rice until later in the summer. The real problem will be if Colombia needs to import rice to fill immediate shortfalls and there is no rice in the market to import. For now there are no plans to eliminate or even reduce the 80 percent import duty on rice from non-Andean Community members. This policy might change, however, late in the second half of the year, if the second harvest does not meet everyone's expectations.

Colombian rice millers have already requested that the government creates a rice quota to be imported from third countries to replace the lost imports from Ecuador. Industry considers stocks level lower than the average and the minimum needed. The United States would be the country able to supply rice since Asian countries has export restrictions and higher international prices make U.S. rice prices competitive.

Figure 2. Rice Prices

